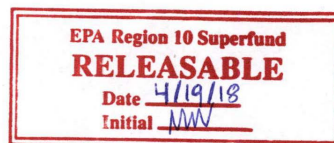




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(360) 619-7026 direct line



March 11, 2011

Mr. Anthony Loschiavo
Hartford Financial Services Group, Inc.
Complex Claim Group
One Hartford Plaza, T-7-92
Hartford, Connecticut 06155

Insured:	Kaiser Cement Corporation
Insurer:	London & Edinburgh
Policies:	LC 71361 (09/15/1962 - 09/15/1963)
	LC 71671 (09/15/1963 - 09/15/1964)
	LC 71671A (09/15/1964 - 09/15/1965)
	LO 61715 (09/15/1962 - 09/15/1963)
Claim:	Lower Duwamish Waterway Superfund Site

Dear Mr. Loschiavo:

We represent Kaiser Cement Corporation ("Kaiser Cement") with respect to its claim for insurance coverage for any liability it has related to the Lower Duwamish Waterway Superfund Site ("Site"). Thank you for your January 14, 2011, letter acknowledging receipt of Kaiser Cement's December 17, 2010, tender letter seeking defense and indemnity coverage under the primary layer liability policies listed above. We understand your letter to also acknowledge Kaiser Cement's December 22, 2010, tender letter seeking indemnity coverage under excess or umbrella liability Policy No. LO 61715.

Just to clarify, we noted that Exhibit A to your letter appears to have a typographical error and that one of the policies listed in Kaiser Cement's tender letter is not referenced in Exhibit A. The exhibit lists Policy No. LC 91671. The correct number is LC 71671. Kaiser Cement's tender letter listed Policy No. LC 71671A. This policy is not listed in Exhibit A. Please make these corrections or contact me if you believe we are mistaken regarding the primary and excess/umbrella liability policies sold by London & Edinburgh to Kaiser Cement.

We also represent the Kaiser Gypsum Company, Inc. ("Kaiser Gypsum") with respect to its claim for insurance coverage for any liability it has related to the Site. Kaiser Gypsum has yet to receive acknowledgment of its December 17, 2010, (primary)

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Mr. Anthony Loschiavo
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and December 21, 2010, (excess/umbrella) tender letters to London & Edinburgh. To be clear, the claims tendered to London & Edinburgh by Kaiser Cement and Kaiser Gypsum are separate and distinct claims for coverage under London & Edinburgh policies because Kaiser Gypsum and Kaiser Cement are separate legal entities that owned and operated at different locations on the Lower Duwamish Waterway and received separate Section 104(e) information requests from the U.S. Environmental Protection Agency ("EPA"). The two entities have separately responded to EPA's information request and continue to incur separate and distinct defense costs. Accordingly, we request that London & Edinburgh separately acknowledge Kaiser Gypsum's tender letters and assign separate claim numbers for the Kaiser Cement and Kaiser Gypsum claims.

Finally, we disagree with your statement that no claim has been asserted against Kaiser Cement. As we explained in our tender letters, the EPA's Section 104(e) information request requires Kaiser Cement to defend itself from claims that it is a liable party for the contamination at the Site.

We are not alone in our understanding that the EPA's Section 104(e) information request triggers the duty to defend. The US District Court of Oregon recently held that such requests are "equivalent to a 'suit seeking damages.'" *Ash Grove Cement Co., v. Liberty Mutual Ins. Co.*, No. 09-239-KI (D. Or. Sep. 30, 2010). Judge King reasoned that because of the substantial penalties available to the EPA, a Section 104(e) information request imposes an obligation on the recipient to investigate contamination. Judge King also wrote that "a reasonable insured could interpret the Section 104(e) letter as an effort to impose on policyholders a liability ultimately enforceable by a court, triggering the need for a defense." Kaiser Cement's situation here is identical to Ash Grove Cement's situation described in this recent case.

EPA is requiring Kaiser Cement to investigate its historical connection to the Lower Duwamish Waterway and its potential contribution to contamination at the Site. To effectively defend itself, Kaiser Cement must respond carefully to the EPA's questions. London & Edinburgh has an obligation to participate in the defense and assist Kaiser Cement in avoiding or limiting its liability related to its historical operations associated with the Site.

Just recently, another of Kaiser Cement's primary insurers acknowledged its duty to defend and has agreed to participate in the defense of Kaiser Cement in the Lower Duwamish Waterway matter. Accordingly, we request that London & Edinburgh reconsider its coverage position and conclude that London & Edinburgh has a duty to participate in the defense of the EPA claim triggered by EPA's Section 104(e) requests.

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While awaiting your response, Kaiser Cement has and will continue to protect its interests in this matter.

If you have any questions, please e-mail me at jeff.miller@millernash.com or call me or Steve Hill at 360-699-4771.

Regards,

A handwritten signature in dark ink, appearing to read "Jeff Miller".
Jeffrey C. Miller

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